



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for 1 quarter of 2016

**prepared in accordance with
International Financial Reporting Standards**

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(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	31 March 2016	31 December 2015
Non-currents (long-term) assets		
Property, plant and equipment	83 254	83 248
Investment properties	63 301	63 410
Intangible assets	4 506	4 000
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	44 556	45 762
Available-for-sale financial assets	9 396	9 247
Retentions for construction contracts	19 694	20 388
Trade and other receivables	36 658	34 909
Receivables from service concession agreement	45 787	45 688
Other financial assets	7 202	396
Deferred tax assets	440 703	440 922
Total non-current (long-term) assets	828 294	821 207
Current (short-term) assets		
Inventories	915 551	867 581
Trade and other receivables	509 687	420 558
Retentions for construction contracts	23 811	16 276
Amounts due and receivable from customers under construction contracts	210 993	171 763
Current tax assets	8 958	421
Other financial assets	2 312	2 432
Cash and cash equivalents	2 138 157	2 413 126
Total current (short-term) assets	3 809 469	3 892 157
TOTAL ASSETS	4 637 763	4 713 364

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(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 2016	31 December 2015
Equity		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	4 623	4 801
Foreign exchange differences on translation of foreign operations	5 345	5 425
Retained earnings	407 511	355 969
Total shareholders' equity attributable to the shareholders of the Parent	650 490	599 206
Equity attributable to non-controlling interests	4 293	3 918
Total equity	654 783	603 124
Liabilities		
Non-current (long-term) liabilities		
Loans, borrowings and other external sources of finance	46 275	44 563
Retentions for construction contracts	213 269	207 239
Provision for long-term liabilities and other charges	184 514	181 691
Retirement benefits and similar obligations	7 657	7 657
Other financial liabilities	3 229	3 076
Total non-current (long-term) liabilities	454 944	444 226
Current (short-term) liabilities		
Loans, borrowings and other external sources of finance	18 550	19 778
Trade and other payables	1 138 821	1 135 894
Retentions for construction contracts	144 545	168 033
Amounts due and payable to customers under construction contracts	1 167 264	1 239 940
Deferred income	922 645	896 448
Provision for short-term liabilities and other charges	130 851	135 565
Current tax liability	2 653	67 568
Retirement benefits and similar obligations	1 350	1 350
Other financial liabilities	1 357	1 438
Total current (short-term) liabilities	3 528 036	3 666 014
Total liabilities	3 982 980	4 110 240
TOTAL EQUITY AND LIABILITIES	4 637 763	4 713 364

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Consolidated income statement

	3-month period ended 31 March	
	2016	2015
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	987 654	846 416
Cost of finished goods, goods for resale, raw materials and services sold	(872 665)	(765 610)
Gross profit on sales	114 989	80 806
Selling expenses	(7 018)	(7 078)
Administrative expenses	(49 702)	(45 756)
Other operating income	21 571	23 446
Other operating expenses	(16 945)	(4 744)
Operating profit	62 895	46 674
Finance income	14 453	11 476
Finance costs	(10 001)	(8 192)
Share in net (losses) of equity accounted subordinates	(1 206)	(2 125)
Gross profit	66 141	47 833
Income tax	(14 224)	(10 150)
Net profit from continuing operations	51 917	37 683
Net profit for the period	51 917	37 683
<i>of which:</i>		
Attributable to the shareholders of the Parent	51 542	37 339
Attributable to non-controlling interests	375	344
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	2.02	1.46

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(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	3-month period ended 31 March	
	2016	2015
Net profit for the period	51 917	37 683
Other comprehensive income which:		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>		
Foreign exchange differences on translation of foreign operations	(80)	(284)
Other comprehensive income	(80)	(284)
Total comprehensive income for the period	51 837	37 399
<i>Of which:</i>		
Attributable to the shareholders of the Parent	51 462	37 055
<i>Attributable to non-controlling interests</i>	375	344

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(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2016	145 848	87 163	7 349	(2 548)	5 425	355 969	599 206	3 918	603 124
Profit for the period	-	-	-	-	-	51 542	51 542	375	51 917
Other comprehensive income	-	-	-	-	(80)	-	(80)	-	(80)
Total comprehensive income for the period	-	-	-	-	(80)	51 542	51 462	375	51 837
Share-based payments	-	-	(178)	-	-	-	(178)	-	(178)
Balance as at 31 March 2016	145 848	87 163	7 171	(2 548)	5 345	407 511	650 490	4 293	654 783

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(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2015	145 848	87 163	6 712	(1 896)	5 326	276 112	519 265	3 244	522 509
Profit for the period	-	-	-	-	-	37 339	37 339	344	37 683
Other comprehensive income	-	-	-	-	(284)	-	(284)	-	(284)
Total comprehensive income for the period	-	-	-	-	(284)	37 339	37 055	344	37 399
Share-based payments	-	-	244	-	-	-	244	-	244
Balance as at 31 March 2015	145 848	87 163	6 956	(1 896)	5 042	313 451	556 564	3 588	560 152
Profit for the period	-	-	-	-	-	198 507	198 507	330	198 837
Other comprehensive income	-	-	-	(652)	383	-	(269)	-	(269)
Total comprehensive income for the period	-	-	-	(652)	383	198 507	198 238	330	198 568
Dividends	-	-	-	-	-	(155 989)	(155 989)	-	(155 989)
Share-based payments	-	-	393	-	-	-	393	-	393
Balance as at 31 December 2015	145 848	87 163	7 349	(2 548)	5 425	355 969	599 206	3 918	603 124

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Consolidated statement of cash flows

	3-month period ended 31 March	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	66 141	47 833
Adjustments for:		
Depreciation/ amortization	6 122	5 598
Share in net losses of equity accounted companies	1 206	2 125
Foreign exchange (gains)/ losses	217	(228)
Interest and shares in profits (dividends)	394	289
(Profit)/ loss on investing activities	(83)	(13 079)
Change in valuation of derivative financial instruments	(1 352)	(7 540)
Change in provisions and liabilities arising from retirement benefits and similar obligations	(1 891)	5 522
Other adjustments	(210)	298
Operating profit/ (loss) before changes in working capital	70 544	40 818
Change in receivables and retentions for construction contracts	(97 770)	45 607
Change in inventories	(47 970)	(91 585)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(13 192)	9 405
Change in deferred income	26 197	187 495
Change in amounts due and receivable under construction contracts	(111 906)	(113 912)
Change in cash and cash equivalents of restricted use	88 826	(73 722)
Cash flow used /from operating activities	(85 271)	4 106
Income tax paid	(87 684)	(35 773)
NET CASH USED IN OPERATING ACTIVITIES	(172 955)	(31 667)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of intangible assets and property, plant and equipment	250	10
Proceeds from sale of non-current assets held for sale	-	14 000
Purchase of intangible assets and property, plant and equipment	(3 872)	(2 871)
Share capital increase in non-consolidated subsidiaries	(150)	-
Loans granted	(6 860)	(13 297)
Interest received	1 612	308
NET CASH USED IN INVESTING ACTIVITIES	(9 020)	(1 850)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(225)	-
Repayment of finance lease liabilities	(3 140)	(3 030)
Interest paid	(439)	(574)
Other finance expenditure	(161)	(135)
NET CASH USED IN FINANCING ACTIVITIES	(3 965)	(3 739)
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(185 940)	(37 256)
Foreign exchange differences, net	(203)	(125)
CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.4)	2 184 077	1 726 690
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.4)	1 997 934	1 689 309

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1. Organization of the Budimex Group and changes in the Group structure

1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business is building, rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and limited scope trading, production, transport and other business. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

- efficient flow of information within Group structures,
- strengthening the efficiency of cash and financial management of individual Group companies,
- strengthening market position of the entire Group.

1.2. Entities subject to consolidation

As at 31 March 2016, 31 December 2015 and 31 March 2015 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2016	31 December 2015	31 March 2015
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex B Sp. z o.o. (in liquidation)	Warsaw / Poland	-	-	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	92.31%	92.31%	92.31%
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.	Warsaw / Poland	-	-	100.00%

Stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), includes their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation	share
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100.00%
Budimex SA Energetyka 1 Sp.j.	100.00%
Budimex SA Ferrovia Agroman SA s.c.	99.98%
Budimex SA Sygnity SA Sp. j.	67.00%
Budimex SA Cadagua SA 3 s.c.	60.00%
Budimex SA Ferrovia Agroman SA Sp. j.	50.00%
Budimex SA Cadagua SA s.c.	50.00%
Budimex SA Cadagua SA 2 s.c.	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%
Budimex SA Energetyka 2 Sp.j.	50.00%
Budimex SA Energetyka 3 Sp.j.	50.00%

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Joint operation	share
Budimex SA Ferrovia Agroman (UK) Limited – Metro II Sp.j.*	40.00%

*The company was dissolved without liquidation and deleted from the National Court Register on 13 April 2016 due to lack of planned economic activity.

1.3. Description of the changes in the composition of the Group together with the indication of their consequences

In the 3-month period ended 31 March 2016 two new companies were created: Budimex SA Cadagua SA 3 s.c. and Budimex Inwestycje Grunwald SA. The financial data of the newly formed civil law partnership was included in the standalone data of Budimex SA. Budimex Inwestycje Grunwald SA was not included in the consolidation due to its immateriality.

In the period covered by this report, no significant activities were discontinued and nor were there plans to discontinue any significant activities in the future.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 27 April 2016 was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holandia) - Spółka z Grupy Ferrovia SA (Hiszpania)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 720 000	6.74%	1 720 000	6.74%
Other shareholders	ordinary	8 731 939	34.20%	8 731 939	34.20%
Total		25 530 098	100.00%	25 530 098	100.00%

The above data present the shareholding structure as at the last annual general meeting of 26 April 2016. As at the annual general meeting of 28 April 2015, the shareholder Aviva OFE Aviva BZ WBK registered 1 280 000 shares, which accounted for 5.01% of the share capital and total voting rights at the AGM.

3. Principles applied for the purpose of preparation of this report

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2015, published on 14 March 2016.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances have been noted that would indicate a threat to ability to continue as a going concern.

Amendments to standards effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board („IASB”) and adopted by the EU are effective for the current period:

- **Amendments to IFRS 11 „Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations, endorsed in the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 „Presentation of Financial Statements”** – Disclosure Initiative, endorsed in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 „Property, plant and equipment” and IAS 41 „Agriculture”** – Bearer Plants, endorsed in the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 „Property, plant and equipment” and IAS 38 „Intangible Assets”** – Clarification of Acceptable Methods of Depreciation and Amortization, endorsed in the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to 19 „Employee Benefits”** – Defined Benefit Plans: Employee Contributions, endorsed in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to 27 „Separate Financial Statements”** – Equity Method in Separate Financial Statements, endorsed in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Annual Improvements to IFRSs (Cycle 2010-2012)** – improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, mainly with a view to removing inconsistencies and ensuring wording clarification; endorsed in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **„Annual Improvements to IFRSs (Cycle 2012-2014)”** – improvements to IFRS 5, IFRS 7, IAS 19 and IAS 34, mainly with a view to removing inconsistencies and ensuring wording clarification, endorsed in the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

Standards and amendments to standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards and amendments to the existing standards, which were not endorsed for use as at 27 April 2016:

- **IFRS 9 „Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 „Regulatory Deferral Accounts”** (the EU has decided to suspend the endorsement process),
- **IFRS 15 „Revenue from Contracts with Customers” and Amendments to IFRS 15** - Effective date of IFRS 15 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 „Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (the EU has suspended the endorsement process for an indefinite period of time),
- **Amendments to IFRS 10 „Consolidated Financial Statements”, IFRS 12 „Disclosure of Interests in Other Entities” and IAS 28 „Investments in Associates and Joint Ventures”** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 7 „Statement of Cash Flows”** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 „Income Taxes”** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Clarifications to IFRS 15 „Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2018).

The Group estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. These changes are, however, to offset so that the implementation of IFRS 16 will not bear any material impact on Group’s net result. The remaining standards and amendments or improvements would not have any material impact on the condensed consolidated financial statements, had these been used by the Group at the reporting date.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the reporting date.

3.2. Changes in accounting principles and the method of preparation of financial statements

In the reporting period there were no changes in the accounting principles and the method of preparation of financial statements compared to those disclosed in the consolidated financial statements of the Budimex Group for the financial year 2015, published on 14 March 2016.

3.3. Translation of selected financial data into euro

Selected financial data was translated into euro in accordance with the following rules:

- individual asset, liability and equity items – using the average exchange rate prevailing as at 31 March 2016 – 4.2684 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter of 2016 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2016 to 31 March 2016 – 4.3559 PLN/EUR,
- individual asset, liability and equity items of comparative financial data for the year 2015 – using the average exchange rate prevailing as at 31 December 2015 – 4.2615 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first quarter of 2015 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2015 to 31 March 2015 – 4.1489 PLN/EUR.

3.4. Cash recognised in the cash flow statement

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees and funds kept in escrow by developer companies, provided their maturity does not exceed 3 months) in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	31 March 2016	31 December 2015	31 March 2015
Cash recognised in the statement of financial position	2 138 157	2 413 126	1 867 993
Cash and cash equivalents of restricted use	(140 223)	(229 049)	(178 684)
Cash recognised in the statement of cash flow	1 997 934	2 184 077	1 689 309

4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first quarter of 2016

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with atmosphere conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the 3-month period ended 31 March 2016, the Budimex Group earned sales revenue of PLN 987 654 thousand which means a 16.69% increase on the corresponding period of 2015.

In the first quarter of 2016 construction-assembly production in Poland expressed in current prices decreased by 13.9% (a decrease of 13.3% in fixed prices) compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were up 13.14% on the corresponding period.

Gross profit on sales in the first quarter of 2016 was PLN 114 989 thousand, while in the corresponding period of the prior year it amounted to PLN 80 806 thousand. The gross sales profitability ratio was therefore 11.64% in the first quarter of 2016, while in the first quarter of 2015 was 9.55%.

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In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts”. As at 31 March 2016, the balance of the provision for contract losses amounted to PLN 641 608 thousand. In the first quarter of 2016, the balance of provision for contract losses increased by PLN 11 919 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2016 the provision for warranty amounted to PLN 231 404 thousand. In the 3-month period ended 31 March 2016 the balance of the provision for warranty increased by PLN 5 501 thousand.

Selling expenses decreased in the first quarter of 2016 by PLN 60 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 3 946 thousand higher than expenses incurred in the corresponding period of 2015. The share of selling and administrative expenses in total sales decreased from 6.24% in the first quarter of 2015 to 5.74% in the first quarter of the current year.

Other operating income for the first quarter of 2016 was PLN 21 571 thousand and comprised: gain on valuation of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 1 260 thousand, income from compensations and contractual penalties in the amount of PLN 10 320 thousand, reversal of provision for penalties in the amount of PLN 5 510 thousand and reversal of provisions for lawsuits in the amount of PLN 1 968 thousand. Reversed write-off for receivables due to repayment by debtors amounted to PLN 1 674 thousand. Additionally, in the period of three months of 2016 Group companies disposed of property, plant and equipment and reported a gain on sale of PLN 247 thousand. The net book value of the property, plant and equipment sold amounted to PLN 3 thousand.

Other operating expenses for the first quarter of 2016 amounted to PLN 16 945 thousand, of which PLN 9 546 thousand related to creation of write-off for receivables, PLN 5 280 thousand to compensations and contractual penalties paid out and PLN 1 159 thousand – to loss on realization of FX forward and FX option derivative instrument contracts.

The reported operating profit of the Group in the first quarter of 2016 was PLN 62 895 thousand, while in the first quarter of 2015 it amounted to PLN 46 674 thousand. The operating profit for the first quarter of 2016 represented 6.37% of sales revenue value, while for the corresponding period of the prior year – 5.51% of sales revenue.

In the 3-month period ended 31 March 2016 the Group generated a gain on finance activities in the amount of PLN 4 452 thousand while in the same period of the prior year – gain in the amount of PLN 3 284 thousand. Finance income in the first quarter of 2016 represented mainly interest of PLN 13 446 thousand, valuation of receivables from service concession agreement of PLN 724 thousand, reversal of discount of long-term receivables in the amount of PLN 191 thousand and gain on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 92 thousand

Finance costs in the first quarter of 2016 represented, among others, interest costs of PLN 680 thousand, bank commissions on guarantees and loans of PLN 5 866 thousand paid by Group companies and costs from discount of long-term retention receivables and liabilities of PLN 2 456 thousand. During the first quarter of 2016 the Group incurred a loss on realization of interest rate swap derivative instrument in the amount of PLN 162 thousand. Surplus of negative exchange rate differences over positive differences in the amount of PLN 812 thousand was also recognized in the finance costs.

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2016, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In the first quarter of 2016, the Group reported a gross profit of PLN 66 141 thousand, while in the corresponding period of the prior year – a gross profit of PLN 47 833 thousand.

Income tax for the 3-month period ended 31 March 2016 was PLN 14 224 thousand, of which:

- current tax was PLN 14 005 thousand,
- deferred tax in the amount of PLN 219 thousand.

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As at 31 March 2016, the Group recognized a deferred tax asset in the amount of PLN 440 703 thousand, while as at 31 December 2015 – PLN 440 922 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex SA for the first quarter of 2016 was PLN 51 542 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2015 was PLN 37 339 thousand.

The net profit attributable to non-controlling interest for the first quarter of 2016 amounted to PLN 375 thousand. In the corresponding period of 2015, the net profit attributable to non-controlling interest amounted to PLN 344 thousand.

In the first quarter of 2016, the Group purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 6 503 thousand, of which plant and machinery accounted for PLN 4 865 thousand.

5. Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- developer and property management business.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

Developer and property management segment covers preparation of land for investment projects, realization of investment projects in the field of housing construction industry, flat disposal and rental and servicing property on own account. The following Group entities were included in this segment:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. (until the merger with Budimex Nieruchomości Sp. z o.o. on 27 May 2015)
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

Segment performance is evaluated based on sales revenue, gross profit (loss) on sales, operating profit (loss) and net profit (loss) for the period.

Other business conducted does not meet the requirements of reportable segment. Included in other business are entities that mainly conduct production, service, trading activities or public-private partnerships.

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The results of segments for the first quarter of 2016 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	861 710	77 915	48 029	-	987 654
Inter-segment sales	68 203	288	3 701	(72 192)	-
Total sales of finished goods, goods for resale and raw materials	929 913	78 203	51 730	(72 192)	987 654
Gross profit	90 104	18 769	8 528	(2 412)	114 989
Selling expenses	(2 729)	(3 167)	(1 135)	13	(7 018)
Administrative expenses	(46 211)	(4 309)	(1 471)	2 289	(49 702)
Other operating income, net	3 058	24	1 544	-	4 626
Operating profit	44 222	11 317	7 466	(110)	62 895
Finance income/(costs), net	3 978	1 200	(726)	-	4 452
Shares in (losses) of equity accounted subordinates	(2)	-	(1 204)	-	(1 206)
Income tax expense	(10 591)	(2 400)	(1 255)	22	(14 224)
Net profit for the period	37 607	10 117	4 281	(88)	51 917

The results of segments for the first quarter of 2015 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	778 978	33 916	33 522	-	846 416
Inter-segment sales	47 480	312	3 140	(50 932)	-
Total sales of finished goods, goods for resale and raw materials	826 458	34 228	36 662	(50 932)	846 416
Gross profit	72 693	8 789	4 972	(5 648)	80 806
Selling expenses	(2 570)	(3 531)	(984)	7	(7 078)
Administrative expenses	(43 026)	(2 518)	(1 104)	892	(45 756)
Other operating income, net	5 636	11 863	1 203	-	18 702
Operating profit	32 733	14 603	4 087	(4 749)	46 674
Finance income, net	1 600	1 675	9	-	3 284
Shares in (losses) of equity accounted subordinates	(2)	-	(2 123)	-	(2 125)
Income tax expense	(7 276)	(3 121)	(654)	901	(10 150)
Net profit for the period	27 055	13 157	1 319	(3 848)	37 683

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6. Related party transactions

Transactions with related parties made in the first quarter of 2016 and in the first quarter of 2015 and unsettled balances of receivables and liabilities as at 31 March 2016 and 31 December 2015 are presented in the tables below:

	Receivables		Liabilities	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Parent Company and related parties (the Ferrovial Group)	20 395	22 111	104 850	100 925
Jointly-controlled entities	1 266	1 321	653	882
Associates	140	212	793	1 236
Other related entities – non-consolidated subsidiaries*	20	20	702	746
Other related entities – other*	11	3	-	-
Other related entities – through key personnel*	-	-	-	-
Total settlements with related parties	21 832	23 667	106 998	103 789

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Parent Company and related parties (the Ferrovial Group)	-	-	8 792	8 760
Jointly-controlled entities	-	-	-	-
Associates	6 860	1 549	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total settlements with related parties	6 860	1 549	8 792	8 760

	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2016	2015	2016	2015
Parent Company and related parties (the Ferrovial Group)	2 112	12 102	(12 220)	(14 928)
Jointly-controlled entities	87	47	(89)	-
Associates	170	294	(1 217)	(1 217)
Other related entities – non-consolidated subsidiaries*	60	66	-	(2 305)
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total transactions with related parties	2 429	12 509	(13 526)	(18 450)

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	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2016	2015	2016	2015
Parent Company and related parties (the Ferrovial Group)	-	-	(18)	(138)
Jointly-controlled entities	-	-	-	-
Associates	57	299	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
Total transactions with related parties	57	299	(18)	(138)

*) Other related parties represent controlled or jointly controlled entities or entities, on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has significant number of votes at the shareholders' meeting of this company.

Inter-Group transactions are made on an arm's length basis.

7. Factors which will affect results achieved by the Group in a period covering at least the next quarter

The main factors that may affect the financial situation of the Group at least in the next quarter include:

- instability on the financial markets,
- higher demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realisation of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realised contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realised,
- results of the pending legal proceedings, described in more detail in note 120 to these consolidated financial statements,
- availability of qualified employees,
- level of competition in public tenders,
- legislative changes affecting the pace of spending of EU funds and the level of competitiveness of general contractors.

As at 31 March 2016 the backlog was PLN 9 098 399 thousand. The value of contracts signed between January and March 2016 was PLN 1 485 006 thousand. The number of pre-sold apartments in the period from January - March 2016 (without booking) is 317 units.

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8. The main events in the first quarter of 2016 and significant events after 31 March 2016

In the first quarter of 2016 the Budimex Group companies were notified about the selection of their offer or entered into the following contracts, whose value exceeds 10% of the equity of Budimex SA:

Significant contracts:

Date of the first current report	Customer	Contract value	Description
19.01.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Rzeszów	801 390 (400 695)*	The Consortium of Budimex SA (Consortium leader with 50% of shares) and Strabag sp. z o.o. (Consortium partner with 50% of shares) signed an annex to the contract for "Continuation of the construction of the A4 motorway at the section Rzeszów (Eastern junction) – Jarosław (Wierzbnio junction) from km 581+263.44 to km 622+463.44". The annex increased the maximum value of construction works from the net amount of PLN 625 903 thousand to the net amount of PLN 801 390 thousand.
21.01.2016	Vistal Gdynia SA	58 223	Subcontract signed by the Budimex SA consortium (consortium leader with 95% of shares) and Ferrovia Agroman SA (consortium partner with 5% of shares) with Vistal Gdynia SA for the construction of a load-carrying structure for structure MS-4 as part the project: "Construction of express road S7 at Miłomłyn – Olsztynek section, Ostróda Północ – Ostróda Południe subsection along the S7 road, and construction of the Ostróda ring road along the national road No 16 (subsection "B")".
27.01.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Lublin	235 750	Signature of the contract for the design and construction of the S17 express road Warsaw (Zakręt junction) – Garwolin at the section of "Lubelska" junction (without the junction) – Garwolin (start of the ring road), divided into three parts: Part No 3: at the section from Kołbiel (end of the ring road) to Garwolin (start of the ring road), from approx. km 27+900 to approx. km 40+915, with a length of approx. 13.015 km.
4.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Poznań	292 102	Selection of the Budimex SA bid for the design and construction of the S5 Poznan-Wrocław express road at the Wronczyn-Kościan South section. The contract was signed on 13 April 2016.
5.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Zielona Góra	153 224	The Consortium of Budimex SA (Consortium leader with 95% share) and Ferrovia Agroman SA (partner with 5% share) signed a contract for construction of the second carriageway of express road S3 at Sulechów–Nowa Sól section – third section from km 299+350 to km 316+640.
11.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Poznań	189 145	Selection of the Budimex SA bid in the tender procedure for the construction of the S5 Poznan-Wrocław express road at the Radomicko-Kaczkowo section, stage II of the Leszno Płd. (with junction) – Kaczkowo section.
4.03.2016	NP. 7 SA (SPV of NEXITY Polska)	52 930 (total value of 2 contracts)	Budimex SA signed another contract within the last 12 months with NP. 7 SA (SPV of NEXITY Polska) for the construction of SKYLIFE residential complex Stage 2 at ul. Jana Kazimierza in Warsaw. This was a conditional contract which will become effective on 21 April 2016.
9.03.2016	Hamon Polska sp. z o.o.	82 745	Budimex SA signed a contract for the design and construction of a cooling tower in the "turnkey" formula in relation to the performance of the contract for the construction of a new power unit at the Turów Power Plant in Bogatynia.

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Date of the first current report	Customer	Contract value	Description
18.03.2016	Comarch SA	69 704 (contract no. 1) 4 350 (contract no. 2)	Budimex SA signed two contracts : the first contract concerns the construction of the SSE7 office building in Kraków, with an underground garage, along with roads, footpaths and parking places, landscaping features, networks and systems. The second one concerns the reconstruction and conversion of the manner of use of a part of the Comarch SSE6 (Studio 1) office and retail building, from warehousing to production.
29.03.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Olsztyn	742 291	Budimex SA signed a contract for construction of the S51 road from Olsztyn to Olsztynek at the section from Olsztyn-Wschód to Olsztyn-Południe (formerly: Construction of the Olsztyn ring road as part of the national road No 16 — Task No 2: from approx. km 10+000 to the end of the prepared area on approx. km 24+701 (behind the Olsztyn-Wschód junction)”).

* share of the Budimex Group

Other events:

On 26 April 2016 the Ordinary General Meeting of Budimex SA adopted a resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2015 to 31 December 2015 in the amount of PLN 207 815 thousand has been allocated to the dividend payout in the amount of PLN 8.14 gross per share. The dividend payout will cover all Budimex SA shares, i.e. 25 530 098 shares. The dividend day is on 6 May 2016. The dividend will be paid on 24 May 2016.

9. Issue, redemption and repayment of debt and equity securities

In the first quarter of 2016 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

10. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the quarterly report in relation to the projected results

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I quarter of 2016

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	3 900 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the annual report for the year 2015, i.e. 14 March 2016.

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12. Proceedings pending as at 31 March 2016 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 31 March 2016 was PLN 475 275 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 559 412 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 109 373 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 31 March 2016 was PLN 292 324 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the Ferrovial Agroman SA consortium members: Budimex SA and Estudio Lamela S.L. (FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of PPL serving a notice rescinding the contract for the development and modernization of Terminal 2 of the Warsaw Frederic Chopin International Airport.

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance bond for a total amount of PLN 54 382 thousand. That case has been finally resolved by judgment of the Court of Appeal in Warsaw of 23 August 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgment.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed to the Court of Arbitration further written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

According to Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. The court has already heard all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. The evidence in the form of an expert opinion is the last to be considered with respect to this part of the dispute. This, however, may be done only after the court has completed the evidence proceedings concerning the claims of the claimant. The determinations made in the expert opinion concerning the claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, the scope of evidence taken in order to prove them.

Regardless of PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the Consortium FBL submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in the claim amounts to PLN 86 583 thousand.

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, Grupa BS Consulting, started to work at the end of 2010. There were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties submitted comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into

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consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment presented in the opinion was favourable to the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the assessment of the validity of PPL's claims, the Court ordered both parties to present final calculations of their claims, taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Court of Arbitration dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. Grupa BS Consulting was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Due to the fact that the expert opinion had not been prepared on time, at the hearing on 20 December 2013 the Court of Arbitration took the decision on the appointment of a new expert. In 2015, the final scope of the new expert's opinion was determined as well as the composition of a new team of experts who will be required to prepare the opinion within 5 months counting from the beginning of September 2015. In February 2016 years experts informed that the opinion was expected at the end of April 2016. According to the latest information from the experts the opinion is expected at the end of May or at the beginning of June 2016.

The Management Board is of the opinion that the final judgement of the Arbitration Court will be favourable to the FBL Consortium.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with the agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. At the request of Budimex, the court ordered preparation of a supplementary opinion, to which the parties submitted comments. Despite oral explanations provided by expert during the course of court hearing in November 2015, a request was filed for another supplementary opinion. The court will present its standpoint in this matter at a hearing, which exact date has not been determined yet.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court did not consider the request of the claimant in this matter and allowed to include in the court protocol only oral supplementary opinion of the expert, which was duly provided during the court hearing on 21 April 2015. The claimant filed another request for appointment of a new expert; this request was rejected by the court during the hearing in December 2015. At the same time, the court allowed preparation of a supplementary opinion, which is being drafted as at the report date.

As at the date of this report the final outcome of the remaining proceedings is not known.

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The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 182 951 thousand as at 31 March 2016. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Apart from the case brought to court by the FBL Consortium against PPL, the value of no other proceedings concerning claims exceeds 10% of the shareholders' equity of Budimex SA. As at the date of this report, the final outcome of the proceedings is not known.

13. Contingent assets and contingent liabilities

	31 March 2016	31 December 2015
<u>Contingent assets</u>		
From related parties, of which:		
– guarantees and sureties received	-	-
– bills of exchange received as security	-	-
From related parties, total	-	-
From other entities		
– guarantees and sureties received	382 637	348 558
– bills of exchange received as security	13 183	5 478
From other entities, total	395 820	354 036
Other contingent assets	1 350	1 350
Total contingent assets	397 170	355 386
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and sureties issued	5 267	5 286
– bills of exchange issued as performance bond	-	-
To related parties, total	5 267	5 286
To other entities, of which:		
– guarantees and sureties issued	2 756 370	2 722 682
– bills of exchange issued as performance bond	1 747	2 610
To other entities, total	2 758 117	2 725 292
Other contingent liabilities	133 554	133 554
Total contingent liabilities	2 896 938	2 864 132
Total contingent items	(2 499 768)	(2 508 746)

Contingent assets represent guarantees issued by banks and other financial institutions to the companies of the Budimex Group as security for the potential claims the Group may file against its business partners in respect of the construction contracts in progress.

Contingent liabilities represent guarantees and sureties issued by banks to business partners of the Group as security for the potential claims they may be filed against the Group in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to Group companies. Guarantees issued to the Group's customers represent an alternative, to the retentions held, method of securing potential claims of customers.

The bills of exchange issued represent a security for the settlement of liabilities towards the strategic suppliers of the Group, while the bills of exchange received and recognized under contingent assets represent security for the repayment by the Group customers of the amounts due to the Group.

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Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 133 554 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 31 March 2016:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Mostostal Kraków SA	76 852	2019-09-30	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	19 051	2024-03-31	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	83	2016-08-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	4 004	2021-06-16	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
TOTAL		101 459			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 27 April 2016

This is a translation of condensed consolidated financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.